

# Janus Henderson Index-Linked Bond Fund

Quarter 3 2019

For promotional purposes

**Fund Managers Names:** Andrew Mulliner, CFA & Bethany Payne, CFA

## Macro backdrop

Government bond markets continued to perform well in the third quarter with the shift to a more accommodative stance from the major central banks and weaker global economic data leading to expectations for lower interest rates. The US Federal Reserve (Fed) cut rates twice in the quarter and the European Central Bank (ECB) restarted its quantitative easing programme. Returns from longer maturity debt were particularly strong, with the 30-year gilt yield hitting a new low in September of below 1%. The UK Statistics Authority announced its intention to align the Retail Prices Index (RPI) measure of inflation with the lower CPIH (Consumer Price Inflation including owner-occupiers' housing costs) inflation measure, with the change due to take effect between 2025 and 2030. This led to weak performance from longer maturity index-linked gilts in September.

## Fund performance and activity

The main driver of performance was our overweight position to interest rate duration relative to the benchmark through positions in Canada, Sweden, Australia and New Zealand. The sharp fall in government bond yields during the quarter, particularly in core markets, led these positions to perform well.

We took profits on our position expecting a flatter euro yield curve following outperformance of longer maturity rates. However, our negative view towards UK inflation where we were positioned for breakeven inflation to fall detracted as Brexit uncertainties caused sterling to weaken versus other currencies.

Emerging market positioning in Mexico continued to perform well as the Mexican Central Bank cut rates with further rate cuts expected.

The currency positions within the fund had a small positive impact. Our long held Japanese yen position (versus the Australian dollar) performed well in August and we maintain some exposure to the Indonesian rupiah relative to the Taiwanese dollar.

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## Outlook/strategy

We maintain a cautious outlook on the global economy and expect that that credit spreads and equity markets maybe vulnerable to any further negative surprises in economic data. We continue to favour taking our duration exposure in countries where central banks have more scope to cut interest rates. Critical events for the months ahead will be progress (or lack thereof) on Brexit and a US-China trade deal.

Source: Janus Henderson Investors, as at 30 September 2019

## Benchmark information

**Index benchmark:** FTSE Actuaries UK Index-Linked Gilts greater than 5 years to maturity Index

**Index benchmark usage:** Comparator

The FTSE Actuaries UK Index-Linked Gilts (greater than 5 years to maturity) Index is a measure of the combined performance of index-linked bonds issued by the British government with greater than 5 years to maturity. It provides a useful comparison against which the Fund's performance can be assessed over time.

**Sector benchmark:** IA UK Index Linked Gilts

**Sector benchmark usage:** Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Discrete year performance % change	I Acc	Index	Peer group
30 Sep 2018 to 30 Sep 2019	20.6	20.3	19.1
30 Sep 2017 to 30 Sep 2018	0.7	1.4	1.3
30 Sep 2016 to 30 Sep 2017	-7.6	-4.2	-6.9
30 Sep 2015 to 30 Sep 2016	30.7	27.0	28.5
30 Sep 2014 to 30 Sep 2015	10.3	11.8	10.0

Source: at 30 Sep 2019. © 2019 Morningstar. All rights reserved, performance is on a net of fees basis, with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

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